

Problems With Biennial Budgeting

Statement of Hon. John M. Spratt, Jr.

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Mr. Chairman, I appreciate the opportunity to submit testimony to the Committee expressing my opposition to the proposal to switch from annual to biennial budgeting. The major arguments for biennial budgeting are that Congress need not consider the federal budget annually, and that its annual consideration of budget matters interferes with its oversight of the executive branch. I disagree with both of those arguments, for reasons I'll explain.

Authorizing committees are not hindered in conducting agency oversight. Authorizing committees can be as involved with the details of program implementation and the oversight of their agencies as they wish. The Armed Services Committee, on which I serve, takes a far more active role each year than some committees. I do not feel that we are unduly hampered by the fact that some floor time is annually devoted to budget resolutions and appropriations bills. We have the floor time and the committee meeting time that we need.

The appropriations process constitutes oversight. In addition, the Appropriations Committee uses the annual bills to make sure that agencies implement the law — both appropriations and authorization law — the way Congress intends. The appropriations process starts with detailed annual consideration, in which agency budgets, needs, and performance are reviewed line by line. This annual review is made more potent by the fact that Appropriations controls the purse strings. Under biennial budgeting, off-year oversight would likely be less intense and systematic, and would lack the appropriations club to keep the agencies' attention. Oversight likely would be weakened, not strengthened, by biennial budgeting. It seems ironic to disengage an effective and tenacious watchdog, the Appropriations Committee, in the name of greater oversight.

Face up to budgetary problems. During periods of budgetary difficulty, as when the deficit got out of hand after the big tax cuts of 1981, the annual congressional budget process forced Congress to grapple with the unpleasant reality of a growing structural deficit. During that period, Congress made annual attempts to reduce or eliminate the structural deficit by altering federal spending programs and federal revenue law. Often we succeeded in enacting deficit reduction measures, some big, some small. Given the current danger of a resurgent deficit, such annual attention to the budget could once again become an important advantage.

Don't lock in policy mistakes. While budget estimates and policy needs may change slowly from year to year, they may change very quickly. For example, from the time President Reagan submitted his first budget in 1981 to the time he submitted his second in 1982, his administration went from projecting an imminent balanced budget to projecting huge and

growing deficits. In President Reagan's second year, Congress and the President agreed to scale back substantially the phased-in tax cuts that had just been enacted but had not yet gone into effect. History suggests that it is harder to scale back spending increases or tax cuts after they have gone into effect, and so annual review of appropriations may prove superior to a biennial process.

Be wary of changing short-term projections. A review of CBO's annual projections shows that the absolute error for the first year of a biennium is fairly high; actual surpluses or deficits one year out were an average of \$97 billion different from what had been projected. The error in CBO's projection for the *second* year of the biennium was more than half again as large; the average absolute error was \$150 billion. This fact suggests that designing budgets for a biennium increases the risk of results far different from what Congress expects.

Be wary of changing long-term projections. In January of 1998, CBO projected a total budget surplus of \$660 billion over the ten-year period 1999-2008 if Congress adhered to the caps on appropriated spending. In January 1999, CBO improved its surplus estimate for the same ten-year period to \$2.3 trillion. In January of 2000, CBO further improved its surplus for the same ten-year period to \$3.3 trillion. And in January of this year, CBO went still further, projecting a ten-year surplus of \$5.6 trillion. With long-term estimates this volatile, it seems unlikely that Congress can or should prepare budgets on the basis of forecasts even one year out of date, much less two.

Learn from our own budgeting experience. Perhaps because of rapidly changing projections, the Senate budget resolution as recently as FY 1999 called for zero net tax cuts over five years and rigid adherence to the discretionary caps, followed by a multi-year freeze. The budget resolution for FY 2002, in contrast, called for massive tax cuts, and ignored the caps.

The point is that experienced budgeteers created highly different plans four years in succession. They did this, I suspect, because of rapidly changing estimates and rapidly changing budget issues. In situations like this, biennial budgeting, were it actually adhered to, would leave the budget far behind both the changing estimates and the changing policy concerns of the public.

Be responsive to the electorate. Most biennial budget proposals require that we put together federal budgets only in the odd-numbered years. Experience suggests that we are more responsive to our constituents during election years. For better or worse, we should be willing to vote on tax cuts, on health care reforms, on education funding, and on other matters during election years. We shouldn't design a system that takes us a step farther away from the people we represent.

Face up to our responsibilities. Proposals for biennial budgeting may imply that budgeting is something we should try to avoid, to the extent possible. But this premise is wrong; budgeting is a key element of our job, and we should not try to shirk it.

Current law allows biennial budgeting – let's experiment. There is nothing in current law that prohibits the President from requesting two years of appropriations at a time rather than one, nor is there anything that prevents Congress from granting that request or appropriating biennially on its own. Even budget resolutions could be biennial without any change in law. If the House and Senate Leadership had wished us to budget only in odd-numbered years, they could have reached a Leadership agreement to do so last year, or three years ago, and tried biennial budgeting as an experiment before locking it into law as a requirement.

In summary, I believe that biennial budgeting would be a step backward, both in terms of fiscal control and in terms of the rightful prerogatives of the Congress vis-à-vis the Executive under our Constitution. Before we take such a momentous step, we should think carefully. In that respect, I commend the Rules Committee for holding this hearing, and I hope that the Committee will weigh the evidence before it with the greatest of care.